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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 001400

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SUBJECT: TAIWAN'S PACIFIC ALLIES SECURE FOR NOW, BUT PRC
RIVALRY STILL A THREAT

Classified By: AIT Director Stephen Young for reasons: 1.4 (b/d)

¶1. (C) Summary: While its diplomatic ties to six Pacific island states appear stable for the moment, Taiwan's efforts to expand its dialogue with the Pacific Islands Forum (PIF) illustrate the problems it faces in implementing President Ma Ying-jeou's "diplomatic truce" with the PRC and his call to end "checkbook diplomacy." Keen to maintain the limited number of formal diplomatic partners, Taiwan will probably increase formal development assistance to its Pacific island allies. Similarly, despite being rebuffed in its efforts to get a seat in meetings PIF holds with nonmembers, Taiwan is unlikely to cut its losses and abandon efforts to engage the group formally. The establishment of a Ministry of Foreign Affairs office focused on ASEAN highlights Taiwan's concerns about marginalization in the region. Notwithstanding the President's efforts to end Taiwan's diplomatic battles with the PRC, in the Pacific islands and elsewhere in Asia, Taipei continues to view the world in terms of a battle to prevent being "squeezed out" by Beijing. End summary.

CHECKBOOK, IF NOT CHECKBOOK DIPLOMACY, STILL NECESSARY IN THE PACIFIC

¶2. (C) Taiwan's six diplomatic allies in the South Pacific (Kiribati, Marshall Islands, Nauru, Palau, Solomon Islands, and Tuvalu) were uneasy about the implications of Taiwan President Ma Ying-jeou's efforts to improve cross-strait ties and, in particular, his pledge to end the diplomatic war between Taiwan and the PRC, MOFA Director General for East Asian Affairs Victor Yu told AIT POL chief September 12. This unease had prompted Taiwan to reassure its Pacific island diplomatic partners that its engagement with the PRC would not change its policy in the region and that it would continue, and probably even increase, development cooperation. While he was "always a bit nervous," Yu expressed confidence Taiwan would not lose any diplomatic allies in the South Pacific in the near future, explaining that these allies are small countries with few resources. With the great majority of countries already in its camp, he argued, the PRC could afford not to compete for the loyalty of the Pacific microstates. Yu bridled at the term (used by President Ma) "checkbook diplomacy," arguing that Taiwan assistance had "done a lot" for its allies and was not used

to bribe politicians. Yu noted Ma wanted to introduce supervisory mechanisms to increase the transparency of Taiwan's aid to allies, but also claimed Taiwan did not want to offend its allies.

IF NOT THE PACIFIC ISLANDS FORUM

13. (C) Asked about recent press coverage of Taiwan's intention to pursue closer dialogue with the Pacific Islands Forum (PIF), Yu noted that Taiwan gave significant amounts of assistance to PIF-sponsored activities and planned to contribute just over USD 400,000 in 2009. Despite this, he said, Taiwan was unable to participate fully in the forum because of PRC pressure. Particularly disturbing from Taiwan's perspective was its inability to take part in the dialogue with non-member states (including the United States and PRC) that follows the PIF annual meeting. Instead, Yu said, Taiwan could only hold informal meetings with its six diplomatic allies that are PIF members. The sticking point was Taiwan's insistence that it participate under the name "Taiwan, ROC." If a formula could not be found to allow Taiwan a broader dialogue with the PIF, Yu cautioned, Taiwan might need to reconsider its involvement with, and sponsorship of, the organization. Pressed by POL chief to confirm that Taiwan was considering ending its funding of PIF activities, Yu quickly backed off, noting that Taiwan was prepared to be patient to see whether and how improving cross-Straits relations would bolster Taiwan's ties to PIF. While Taiwan's aid to PIF is transparent, Australian Commerce

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and Industry Office Deputy Director Stephen Huang told poloff September 18 that Canberra consistently encouraged Taiwan to be transparent with all the foreign aid it provides. It would be hard, though, Huang lamented, for Taiwan to change its embedded culture. Huang also agreed that closer Taiwan ties in the PIF were "all up to China."

HOW ELSE DOES TAIWAN GAIN REGIONAL FACE/SPACE?

14. (C) The importance Taiwan places on gaining face in its own backyard surfaced in poloffs' September 18 meeting with Foundation on International and Cross-Straits Studies (FICSS) Vice President Chao Chien-min. China, Chao suggested, could "give Taiwan some face" by agreeing that a prominent political figure such as former Premier Lien Chan represent Taiwan at this year's APEC leaders' summit, rather than the past practice of having a top business executive hold the position. The deterioration of Taiwan-Japan relations under the Ma administration probably heightens Taiwan's interest in being a player and making things work in the region. MOFA Asian DG Yu said Japan was somewhat skeptical of Ma's cross-Straits policy and concerned that it could be left "high and dry" as Taiwan moved to improve relations with the PRC. Chao maintained Taiwan was increasingly concerned about being left out of East Asian regional integration and noted politics, rather than economics, were the main motivation behind Taiwan's eagerness to establish a Free Trade Agreement (FTA) with Singapore. Such an agreement would serve as a link to ASEAN. Without an FTA, Taiwan would be "nervous" and feel isolated if ASEAN formalized "plus one" or "plus three" dialogues with China and other countries in the region but not Taiwan.

15. (C) Indeed Taiwan is taking steps to bolster its regional interests. MOFA recently set up a new ASEAN office, and ECON chief and poloff met with the office director Anthony Ho on September 23. Ho explained ASEAN was moving "fast" on integration, and MOFA established his office to develop channels through which Taiwan could work with ASEAN and explore cooperative initiatives on functional issues such as labor and the environment. Ho said Taiwan remains interested in pursuing bilateral FTAs with Singapore and other ASEAN trading partners. At the same time, he indicated the Ma

administration hopes improved cross-Strait relations will serve as a precursor to enhanced Taiwan relations with ASEAN, possibly to encompass an ASEAN "plus four" (China, South Korea, Japan, Taiwan). On prospects for improving cross-Strait ties, Ho said &it takes two to tango⁸ and urged more international support for Ma's efforts to reduce tensions and more international encouragement for China to reciprocate.

¶16. (C) Comment. MOFA clearly understands that Taiwan is unlikely to gain further ground in PIF by insisting on participating under the name "Taiwan, ROC." Taipei may be using the PIF, a small grouping in which Taiwan has few interests beyond its rivalry with the PRC, to show it will not give in or give up. Even with no realistic prospect for a breakthrough on nomenclature, though, Taiwan is unlikely to decrease its involvement in the PIF and similar regional or international organizations as it presses forward with its quest for a larger voice regionally and internationally.
YOUNG